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REASONS

OF THE

BOARD OF DIRECTORS

OF THE

PENNSYLVANIA RAIL ROAD COMPANY,

FOR DECLINING TO OFFER TO PURCHASE

THE MAIN LINE OF THE STATE WORKS;

WITH

A COPY OF THE ACT OF ASSEMBLY

AUTHORIZING THE SALE.

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THE

PENNSYLVANIA RAIL ROAD COMPANY.

SALE OF THE MAIN LINE OF PUBLIC WORKS.

Philadelphia, May 22, 1854.

To the Stockholders of the Pennsylvania Rail Road Company:

On the 23d ult., the President laid before your Board of Directors the following communication from the Hon. Wm. Y. Roberts, Chairman of the Committee of Ways and Means of the House of Representatives of this State:—

Harrisburg, Pa., April 22, 1854.

J. Edgar Thomson, Esq.:

Dear Sir—Enclosed I send you a copy of an Act entitled "An Act for the sale of the Main Line of the Public Works," which has passed both branches of the Legislature, and is now in the hands of the Governor.

As it has been intimated that in all probability the Pennsylvania Rail Road Company would become the purchaser of the line offered for sale, in the event of the bill becoming a law, and as this sale would materially affect the details of the General Appropriation Bill now pending in the House of Representatives, I take the liberty of asking you, as the President of that

Company, whether you are willing, or believe the Company of which you are President will be willing, to purchase the Works on the terms proposed in the Act?

An early answer to the above will much oblige

Your obedient servant,

WM. Y. ROBERTS.

In reply to this letter the Board passed the following Resolution, which was immediately forwarded to Mr. Roberts:—

Resolved, That the Board of Directors of the Pennsylvania Rail Road Company cannot recommend to the Stockholders the purchase of the Main Line of the State Works, under the provisions of the bill recently enacted for the sale of the said line.

The determination expressed in this resolution having been the subject of some public comment, the Board takes the opportunity which this meeting affords, to lay before you the reasons that induced them thus promptly to make known their sentiments upon the subject to which it relates. They would have preferred to wait your advice upon a matter of so much importance to the interests of the Company, if the terms and conditions of the bill for the sale of the Main Line were such as to offer any inducements to this Company to purchase it; but as these inducements are not, in their opinion, sufficient to justify the assumption of the additional liabilities which the purchase would entail upon this Company, and as the communication of Mr. Roberts required *an early reply*, that ample provision might be made in the appropriation bill for relaying the south track of the Columbia Rail Road, which is now in a dangerous condition, we felt it incumbent upon us to make known to Mr. Roberts the opinion of the Board upon the subject of his inquiries, promptly and explicitly.

The first section of the Act fixes the minimum price at ten millions of dollars, and requires two millions to be paid in cash. This amount, in addition to the outlay immediately required to place the Main Line in repair, would, in the present state of the

money market, be sufficient in itself to prevent this Company from becoming the purchaser, as so large a sum could not now be raised without a heavy sacrifice.

The seventh section requires the purchaser, after taking possession of the property, "ever thereafter to keep the *entire* line in good repair and operating condition," much of which would be unprofitable.

The same section prohibits any increase in the rates of toll now charged upon boats, cars and tonnage by the Commonwealth, which, when passing over the whole line, have been fixed at rates that are insufficient to keep up the works.

The tenth section provides that "tonnage shipped or discharged at intermediate points on said line of improvements shall not be subjected to charges of more than twenty per centum above the rates per mile charged for similar tonnage passing over the entire extent of said improvements for the time being."

The tolls, including motive power, on the rail roads, charged for freight passing over the whole extent of the improvements between Philadelphia and Pittsburg, 394 miles, (which will be increased on the completion of the new Portage, to 404 miles,) are as follows, based on the present length of line:

						Mills.
1st class,	$1.75	per 1000 lbs.,	or	per ton	per mile	less than 9.0
2d "	1.25	"	"	"	"	6.4
3d "	1.00	"	"	"	"	5.0
4th "	95	"	"	"	"	4.8

The amount charged the Pennsylvania Rail Road Company for the use of the Columbia Rail Road, 80 miles, (and adding thereto the State tax on their own road and the Harrisburg and Lancaster Rail Road,) as per toll sheet issued by Canal Commissioners, is as follows:

1st class,	$1.54	per 1000 lbs.,	or	per ton	per mile,	39.0 mills.
2d "	1.12	"	"	"	"	28.7 "
3d "	92	"	"	"	"	23.7 "
4th "	87	"	"	"	"	21.2 "

Which has been reduced by resolution of Canal Board, taking effect May 1st, 2 cents on *first* class, for the whole distance.

Nothing on second class.

Nothing on third class.

And 5 cents on fourth class, reductions so inconsiderable as not to affect the rates allowed to be charged in the bill.

The *local rates* are not to exceed the through rates more than 20 per cent. These through rates, as we have seen, are

1st class, 9.0 mills per ton per mile.
2d " 6.4 " " "
3d " 5.0 " " "
4th " 4.8 " " "

The *maximum local rates* on the Columbia Rail Road will consequently, be, as fixed by the Act:

1st class, - - - 10.8 mills.
2d " - - - 7.7 "
3d " - - - 6.0 "
4th " - - - 5.7 "

The *present local rates* over the Columbia Rail Road, as calculated by the General Freight Agent of the Company, are as follows:

1st class, 36.1 mills per ton per mile.
2d " 30.0 " " "
3d " 28.0 " " "
4th " 26.0 " " "

The reduction of the local rates on the Columbia Rail Road, as required by the terms of the Act, will be, on

1st class, 25.3 mills, or 70 per cent. of the present charge.
2d " 22.1 " or 74 " " "
3d " 22.9 " or 82 " " "
4th " 20.3 " or 79 " " "

The average reduction will be 76¼ per cent.

The local freight business of the Columbia Rail Road paid

last year, $248,651.72. Should a reduction be made of 76 per cent. (the tonnage remaining the same,) the receipts will be but $59,676.41, or not more than half enough to pay expenses.

It follows as a necessary consequence that under the conditions and restrictions of the Act, both the through and local freight must be carried by the purchasers of the Main Line at rates which will not *pay expenses.*

The twenty-eighth section permits the Legislature to revoke the powers and privileges conferred by the Act, provided no injustice be done to the Company.

The members of the Legislature could themselves be the judges of the justice or injustice of any proposed measure, and as a natural consequence, attempts could be made to repeal the charter or impose conditions which would involve the Company in difficulty, and affect the value of their securities by impairing confidence in the stability of the investment.

These terms and conditions, we think, are sufficient in themselves to satisfy every stockholder that a purchase under them would be injudicious.

To justify this opinion, we will, as briefly as possible, consider the following inquiries, which are believed to cover the whole subject, irrespective of its consideration as a question of political economy.

First—What *has* been, and is *now*, the value of the Main Line to the State?

Second—What is its prospective value?

Third—What would be its value to the Pennsylvania Rail Road Company?

In considering this subject, it must be borne in mind that it is a well ascertained fact, that a first class rail road, overcoming equal elevations, can transport all kinds of freight cheaper than it can be effected upon a continuous canal, capable of passing boats not more than 60 tons capacity,—such as that owned by the State of Pennsylvania,—exclusive of interest upon the capital invested in such work.

It is not, therefore, reasonable to expect that the Pennsylvania Rail Road Company should become the purchaser of a line of rail road and canal at a price *above its value to the State*, when the whole tonnage offered can be more cheaply transported over their own as well as rival roads. Those now engaged in transportation between Philadelphia and Pittsburg, represent that the present rates of freight upon the Main Line are scarcely remunerative. If this is the fact, it will be still more difficult for these works to pay adequate tolls, and meet the further reduction of rates which commercial rivalry will require upon the completion of the Baltimore and Ohio Rail Road to Parkersburg, and the enlargement of the Erie Canal, without considering the effect of the completion of the Connelsville road, the Allegheny Valley Rail Road, and the Sunbury and Erie Rail Road, all of which are in progress of construction, and will be competitors with the State improvements.

In answer to the *first* inquiry, as to the value of the Main Line to the State, we present the following from official reports:

The revenues and expenditures of the Main Line, since it was opened, have been as follows, viz.

Columbia Rail Road—		
Revenue,	$9,020,278.39	
Expenditures,		$5,860,291.11
Eastern Division—		
Revenue,	2,932,571.14	
Expenditures,		862,938.08
Juniata Division—		
Revenue,	1,496,429.79	
Expenditures,		1,950,687.92
Portage Rail Road—		
Revenue,	3,520,407.84	
Expenditures,		4,014,788.86
Carried forward,	$16,969,687.16	$12,688,705.97

Brought forward,	$16,969,687.16	$12,688,705.97
Western Division of Canal,	2,812,312.32	
Expenditures,		1,340,535.07
Total receipts,	$19,781,999.48	$14,029,241.04*
Total expend.,	14,029,241.04	
Net revenue,	$5,752,758.44*	

This sum represents more than the real net revenue of the Main Line for the period of its operation, as will be obvious from a comparison of the last Report of the Auditor General of the cost of the Works, with those presented from the same office in 1843—*ten years after* the completion of the whole line.

The Report of 1853 is as follows:

Columbia Rail Road,	$5,277,278.44
Eastern Division of Canal,	1,737,285.44
Juniata " "	3,575,966.29
Portage Rail Road,	2,708,672.12
Western Division of Canal,	3,173,432.18
Total,	$16,472,634.25

The Report of 1843 is as follows:

Columbia Rail Road,	$4,204,969.96
Eastern Division of Canal,	1,736,599.42
Juniata Division,	3,521,412.21
Portage Rail Road,	1,828,461.35
Western Division of Canal,	3,069,877.38
	$14,381,320.32

* In this statement of expenses, the sum reported by the Accounting Officers as having been paid (from 1834 to 1853, inclusive,) for salaries of Collectors, Weigh Masters, and Lock Keepers, has not been included. Neither has the amount paid to Canal Commissioners, during that period, been included in the foregoing statement of expenses. For the whole public works, the former amounts to $1,540,793 16, and the latter to $137,620. It would be a fair allowance to charge about sixty per cent. of the whole amount paid to Collectors, Weigh Masters, and Lock Keepers, to expenses of the Main Line, making the sum of $924,726, and say one-half of the sum paid to Canal Commissioners, (from 1834 to 1853, inclusive,) equal to $68,810,—giving an aggregate of $993,286, chargeable to maintaining and managing the Main Line, and which will reduce the net revenue derived therefrom, for twenty years, ending 1853, to $4,759,472, instead of $5,752,758 44, as above stated.

Which, deducted from the total as exhibited in the returns of 1853, shows that in the ten years additions were made to the cost, of $2,111,313.93, which *reduced* the reported expenses, and *increased* the apparent revenue to the same extent.

The amount charged to capital during the first ten years, we have no means of ascertaining; it was no doubt considerable, for in the historical records of Pennsylvania, it is stated that the original cost of the Columbia Rail Road was $3,755,000, or $449,969 less than the sum stated in the Report of 1843; but as this information is not official, no calculations will be based upon it. It is believed, however, that the original cost of the Main Line, when opened for use throughout, could not have exceeded $13,500,000.

It has never been the practice of the State to set apart a fund for renewals in order to keep the Works in their original efficient condition; consequently, the value of these Works has necessarily deteriorated; for this deterioration no allowance has been made, although it is well known that to relay the south track of the Columbia Rail Road, and rebuild the bridges on the line, there will be required at least $700,000.

The old Portage Rail Road is to be abandoned after the construction of a new road across the Allegheny mountains, which will cost, in addition to previous expenditures, (to finish with a double track that portion between Hollidaysburg and the point at which it intersects the Pennsylvania Rail Road, near the stone viaduct) the sum of $1,200,000, still leaving about eight miles of expensive road to be constructed, if the new road is to be extended thence to Johnstown, and continuity given to the State Works.

This extension will cost at least $450,000, making the total sum required to place the Railroad portion of the Main Line in good condition, $2,350,000, inclusive of the appropriation of the present year.

The Canal portion also requires large renewals and repairs to place its dams, aqueducts, bridges, and locks in good order, and clear out its prism to its original dimensions, which will cost, it is believed, not less than $600,000.

The whole sum required to put the entire line once more in efficient condition for business, would therefore, be in round numbers $2,950,000. The estimates of the Engineers may exhibit figures somewhat below this amount, but the final result, it is believed, will be found to exceed rather than fall below the sum here stated.

This sum added to the price fixed by the act for the sale of the Main Line, will make its cost to the purchasers $12,950,000, nearly equal to its original cost, *exclusive* of the financial sacrifices necessary to make the payments demanded, which cannot be placed on the security which the works would afford at a less sum than $1,000,000, making the total cost to the purchasers, nearly $14,000,000.

If we deduct from the net revenues, as given by the published official Reports, the amount charged to construction during the last ten years, and omit salaries of Canal Commissioners, Collectors, Weigh Masters, and Lock Keepers,—part of which are fairly chargeable, (see note) there will remain equivalent to $182,072 per annum, or the interest of $3,034,536; but if the amount now necessary to meet the deteriorations be also deducted, there will remain but $234,536 as the whole revenue of 24 years, which is $9,772 per annum.

It appears, therefore, that, if due allowance had been made each year for the deterioration and general expenses of the Main Line, the profits derived from it, *applicable to payment of interest*, would have been really nothing. Neither has the last year's operations of the Main Line, nor the present, so far as it has been developed, exhibitedmuch more favorable results.

We proceed to consider, secondly,

What will be the prospective value of these improvements, if put in complete order?

It is evident that this value must depend almost entirely upon the probability of retaining the business of the Pennsylvania Rail Road on the Columbia Rail Road, and it is this business alone that renders any considerable portion of the Main Line, at this time, profitable.

But it must be borne in mind, in considering this subject, that the Legislature has already granted charters to not less than *four* companies to construct parallel and rival roads for this business.

First, The Lebanon Valley Rail Road, which is under construction.

Second, The Dauphin and Susquehanna Rail Road, and its connections, which is finished and now in operation.

Third, The Lancaster, Lebanon and Pine Grove Rail Road, which is required for passenger trains, and will, in our opinion, be built, whether a sale be made of the Columbia Rail Road or not.

Fourth, The Columbia and Octarora Rail Road, forming by its connections with the West Chester Rail Road, a direct route to Philadelphia, south of the Columbia Rail Road.

Without the business of the Pennsyluania Rail Road which will seek the best and cheapest of these communications, the Columbia Rail Road would be dependent entirely on its local receipts, which would be inadequate to pay an interest on a heavy investment, reduced as they will be, by the competition of rival routes.

The charges on the through business by the Main Line, have been so greatly reduced in consequence of the opening of more expeditious and cheaper channels, that it has ceased to yield a net revenue to the State, and as a through route, cannot, in its present condition, maintain the competition without loss, after the completion of the Erie Canal enlargement, while the *local* business of the canals has exhibited no increase of receipts.

The result of a careful examination of facts and statistics must satisfy the inquirer, that under any circumstances, the Main Line between the Susquehanna and Pittsburg can never, as a whole, become a source of revenue to the State *or a purchaser*, and the whole line cannot be expected to pay such a revenue as to justify the purchase on the terms and conditions which authorize its sale.

In the third place, we purpose to consider what would be the

value of the Main Line to the Pennsylvania Rail Road Company.

It cannot be considered as equitable to charge a purchaser for an increased *prospective* value that *he* is to confer upon the property purchased, but in making the following estimate every advantage will be thrown in favor of the State Works, and the object will be to ascertain how much the Pennsylvania Rail Road Company could give without impairing the value of their present property.

The purchase of the Columbia Rail Road will not release the Pennsylvania Rail Road Company from the necessity of aiding in the construction, or using, when completed, one of the other roads for which charters have been granted.

Apart from the defective location and construction of the Columbia Rail Road, and its objectionable curvatures, its capacity will be insufficient to enable it to accommodate more than its local travel, and the freight business of the Pennsylvania Rail Road, so that a new road for the express passenger trains will be indispensable, which business could be accommodated upon a single track, and the expense of an additional track saved, if both roads were owned by the same party.

If put in complete repair, and *relaid* with heavy rails, the Columbia Rail Road would be worth for freight and local travel what a new road would cost, a full estimate of which with a double track, without an outfit, is $4,000,000. Deducting repairs and renewals, and allowing for machinery, the value of the Columbia Rail Road, as it now stands, would not exceed $3,500,000.

The Pennsylvania Rail Road Company could afford to pay $4,500,000 for it and its machinery after the road has been repaired, for the increased facilities which it would afford to their business.

As to the remainder of the line, the portion between Duncan's Island and Columbia, known as the Eastern Division of the canal, with a *liberal* charter, *might* produce the interest of $1,000,000. West of the Susquehanna, the balance of the line we

believe can never be made to yield a revenue as a whole. The Juniata Division may possibly be rendered productive by enlarging it and the Union Canal to the capacity of the Schuylkill Navigation, to accommodate heavy western products and a coal business from the Broad Top and Allegheny regions.

To make this enlargement, and the improvements required to make it effective at the prices now paid on the Union Canal, will take fully $2,000,000 after the expenditure of which, the net revenue might *possibly* equal, but could scarcely be expected to exceed the interest on $3,000,000. The principal increase of business, from the enlargement, would be in the article of coal, which could not afford to pay high tolls.

The value of the Juniata Division could not therefore, be estimated as worth to the Pennsylvania Rail Road Company, with means thus to improve it, more than $1,000,000.

The Portage Rail Road would be of no value to this company, except for the material upon it. The Pennsylvania Rail Road could carry the whole tonnage of both improvements over the mountains, and avoid the expense of operating a second road.

The Western Division of the Canal has but little local business, and would be well disposed of to any party who would agree to operate it without charge for deterioration or repairs, and give satisfactory security therefor.

A very *liberal* estimate of the value of the Main Line to the Pennsylvania Rail Road Company, would, therefore, be less than $7,000,000, in which estimate allowance is made for a large *prospective* increase of business, while the anticipated return for the capital invested would be but simple interest, a consideration for which capitalists would at this time be unwilling to risk their means.

The State tax on tonnage has not been considered in this connection, for the reason that the stockholders of the company are not *directly* interested in its removal; its repeal would not either increase or diminish materially the profits of the work; it affects simply the amount of tonnage. The operation of the tax is, and was intended to limit the company to a small tonnage carried at

high rates, instead of permitting them to encourage a large tonnage by low rates, and leads to a discrimination *against*, and a virtual exclusion of, such articles as are characterized by great weight and small value. It therefore affects the interests of the State *generally*, and of Philadelphia *particularly*, far more than it does the stockholders of the Pennsylvania Rail Road Company, who cannot be expected to pay exclusively for that which benefits the whole community, and which would add far more to the revenue of the Commonwealth by the increase of trade and general prosperity than it would add to the net receipts of the company.

It will be perceived from the foregoing statement, that the highest prospective value that can be placed upon the Main Line is less than $7,000,000, and in this valuation the business of the Pennsylvania Rail Road Company is made *subsidiary* to that of the Columbia Rail Road, which the latter would, in all probability lose, if it should change owners, in consequence of the superior facilities that other routes to Philadelphia will afford.

We have endeavored to give as favorable a statement as practicable of the value of the Main Line, though it is admitted the picture is not a very flattering one; it is not, however, less so than that presented by *similar* private enterprises.

We admit that the Main Line would yield more to its proprietors worked in connection with the Pennsylvania Rail Road, than by itself, while it would also, in all probability be managed by this company with a view to the original object of its construction, the promotion of the trade of the State to a greater extent than if it should fall into the hands of mere speculators. This, however, would not justify the company in paying more for the work than it is worth to themselves. They could afford to pay for them more than it is worth to the State.

We have enumerated several objections to the act authorizing the sale of the Main Line, either of which would prevent us recommending its purchase.

The act for the sale of the Main Line was the result of a

spirited contest between its friends and opponents in the House, without having been submitted to the calm and deliberate consideration of a committee: hence it could not be expected to present a plan for disposing of these works which would meet the approval of those who looked to such a disposition of them as would promote the general interests of the State.

The enlargement of the Pennsylvania Canal and the extension of this enlargement to Philadelphia, either by the Union or the Tidewater Canal, would leave but a portage of from 120 to 140 miles to connect the steamboat navigation of the Ohio river with an Eastern canal communication equal to the enlarged New York Canal. Over this portage, produce could be transported from the Ohio valley and delivered to this enlarged Pennsylvania Canal as cheaply as it can now be forwarded from the Ohio to the Lakes. Such an avenue of trade would be worthy of a great State, and could be brought into existence by a judicious disposition of the Main Line. It would at once stop the transportation of the products of the Ohio Valley, destined for an Eastern market, to the Lakes—a result which has been predicted by New York Engineers with so much confidence as the certain consequence of the enlargement of their Canal.

The accomplishment of such an object would present a fitting tribute to the efforts that the State has already made, and the immense sacrifices she has incurred to draw within her borders the rich prize of the Western trade—a trade which has built up a continuous town along the banks of the great Erie Canal, and which, if only that portion due to the Ohio Valley was transferred to this route, would be attended with like results in Pennsylvania.

The improvement of the Ohio river, so as to present an uninterrupted navigation during the summer and autumn, is a matter that the increasing coal trade of the Monongahela and upper portions of the Ohio rivers will of itself soon demand. Its accomplishment will secure all the natural and artificial advantages that

Pennsylvania can desire to concentrate upon herself the largest share of the Western trade.

We have no wish, nor has it been our intention, to undervalue the State improvements, but we feel it to be necessary to explain to you fully the reasons that led the Board to adopt the Resolution given at the commencement of this Report.

The facts that we have presented are from official sources; if wrong, the error is with the State reports. We apprehend, however, that the chief cause of the failure of the Main Line as a productive work to the State, is to be attributed to other sources than that to which it is generally ascribed, "corrupt" or "bad management;" these have, no doubt, seriously affected the revenues, but cannot account for the large deficiency. It may however be traced to the fact that a second class canal, broken by three transhipments to and from railroads, cannot compete, upon equal terms, with a continuous canal, such as that of New York; or of the continuous railroads of New York and Maryland, or even those of Pennsylvania, one of which is completed, and three more are in progress; the tonnage upon which latter is *untaxed*, though leading to markets outside of the State.

If a sale of the Main Line should be effected under this Act, we apprehend no difficulty in making a satisfactory arrangement with the purchasers for the transaction of our business over the Columbia Railroad, if we desire it, *as their* interest will necessarily lead to such a result.

It cannot, therefore, in our opinion, in any contingency, be desirable that this company should burthen itself with an investment which will greatly add to its cares and responsibilities, without yielding corresponding profits.

By order of the Board.

J. EDGAR THOMSON, *President.*

WM. B. FOSTER, JR., *Vice President.*

NOTE—As the 16th Section is somewhat ambiguous, and may admit of a different construction from that which we have given to it, it is proper to state that we have based our calculations upon that interpretation which will alone preserve its consistency.

THE

BILL TO SELL THE MAIN LINE,

As passed finally, and sent to the Governor.

An Act

Providing for the sale of the Main Line of the Public Works, from Philadelphia to Pittsburg.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania, in General Assembly met, and it is hereby enacted by the authority of the same,* That the Governor is hereby authorized and required to invite sealed proposals for the purchase of the Main Line of the Public Works, to wit, the Philadelphia and Columbia Railroad, the Canal from Columbia to the Junction at Duncan's Island, the Juniata Canal from thence to Hollidaysburg, the Allegheny Portage Railroad, it including the new road to avoid the inclined planes in the condition at the time of its transfer, and the Canal from Johnstown to Pittsburg, with all the property thereunto pertaining or belonging; and it shall be the duty of the Secretary of the Commonwealth, within ten days from the passage of this Act, to give notice in two newspapers published in the cities of Philadelphia, Pittsburg and New York, that sealed proposals will be received at his Office for the purchase of said Main Line of the public improvements up to the first Monday of July, Anno Domini, one thousand eight hundred and fifty-four. Said proposals shall state the maximum price offered for said Main Line, on the following terms, to wit:

Twenty per centum of the amount bid to be paid into the treasury in cash, before the transfer of said Works, and the balance in ten equal annual instalments, the interest thereupon payable simi-annually from the date of the said transfer, at the rate of six per centum per annum, and the first instalment payable at the expiration of one year from the date of the transfer; and said balance shall be secured to the Commonwealth, by the bonds of the company purchasing the same, and the same, and without any other record than this Act, shall be a lien on the works and improvements aforesaid: *Provided*, That no bid for a less amount than ten millions of dollars for said Main Line, shall be entertained.

SECT. 2. That it shall be lawful for any railroad, canal or navigation company, incorporated under the laws of this Commonwealth, to bid for and become the purchaser of said Main Line of public works, anything in its charter or the laws by which it is governed to the contrary notwithstanding, and to increase its capital stock or borrow money to any amount necessary to effect such purchase and complete the unfinished portions of the line.

SECT. 3. That it shall be the duty of the Governor, in the presence of the Secretary of the Commonwealth, Auditor General, State Treasurer, and such other persons as may see proper to be present on the said first Monday in July, Anno Domini, one thousand eight hundred and fifty-four, to open said proposals, and award said Main Line to the corporation or persons offering the highest price for the same; and in case two or more proposals should be made for the said Main Line for the same sum, the Governor shall have the authority to decide between said bidders. *Provided*, That the party whose bid shall be declared the highest, shall thereupon forthwith deposit with the State Treasurer the sum of two hundred thousand dollars, as security that such party will, within ninety days thereafter, pay the first instalment of twenty per centum in cash, on bonds of the Commonwealth, as specified in this Act; and in the

event of said party failing to make such deposit with the State Treasurer, the Governor shall set his or their bid aside, and accept the next highest bid made, in compliance with the provisions of this Act.

SECT. 4. That should the Main Line aforesaid, be bid for and awarded by the Governor to any association of individuals, as hereinbefore provided for, he shall upon the payment of twenty per centum of the purchase money, issue letters patent, and incorporate said persons into a body politic and corporate, by the style and title of the Keystone Railroad and Canal Company, on the terms and conditions hereinbefore specified.

SECT. 5. That immediately upon the issuing of the letters patent by the Governor, as provided by the preceding sections of this Act, the railroad leading from Philadelphia to Columbia, and the Eastern division of the Pennsylvania Canal, extending from Columbia to its junction with the Juniata division at Duncan's Island, the Juniata division, extending from Duncan's Island to Hollidaysburg, the new and old Portage Railroad, from Hollidaysburg to Johnstown, and the Western division of the Pennsylvania Canal, from Johnstown to Pittsburg, shall be immediately vested in the said corporators and their successors, including the bridge over the Susquehanna river at Duncan's Island, together with all the surplus water-power of said canals, all offices, toll houses, water stations, workshops, locomotives, cars, trucks, stationary engines, fuel on hand, horses, and implements and all the estate, real and personal, purchased, and owned and held by the Commonwealth, for the use of the said canals and railroads. The Canal Commissioners shall prepare duplicate schedules of all the estate, real and personal, purchased, owned and held by the Commonwealth for the use of the Main Line of canals and railroads from Philadelpia to Pittsburg, describing the toll houses, water stations, engines and engine houses, workshops, and the condition of the canals and railroads and their appendages, and enumerating all the personal property; said schedules shall be signed by the Canal Commis-

sioners, and by the President of the said Company, with the corporate seal annexed on behalf of the said Company; one of which schedules shall be left with the directors of said company, and the other delivered to the Governor, to be held in the office of the Secretary of the Commonwealth.

SECT. 6. That so soon as the said company shall be organized, and shall give notice to the Governor of their readiness to take possession of said works, he shall cause notice thereof to be given to all superintendents, toll collectors, officers and agents of the Commonwealth, employed on or about said railroads and canals, who shall continue nevertheless to discharge the duties of their said offices or employments, and be entitled to receive their present rate of compensation from the said company until removed or re-appointed by the directors thereof, and the official bonds of said officers and agents shall inure to the use of said company, as to all moneys received by them on account of the works subsequent to the time when said company shall so take possession of them as aforesaid.

SECT. 7. That immediately after the Governor shall have issued letters patent, the said Company shall take possession of said Public Works, and shall be bound over thereafter to keep in good repair and operating condition the entire line of said railroads and canals, extending from Philadelphia to Pittsburg, with the necessary toll houses, water stations, locks, buildings and other appurtenances, and that the said railroads and canals shall be and forever remain a Public Highway; and the said Company shall furnish stationary and locomotive engines and motive power for the use of all persons or companies engaged or wishing to engage in the transportation of tonnage or passengers at such times and in such manner as not to impair the use and enjoyments of said railroads and canals by said parties, they paying just and fair charges for the use of said Main Line, or any portion thereof, which shall not exceed the rates of toll now charged upon boats, cars, tonnage and passengers by the Commonwealth. It being the true intent and meaning of this

Act, that the said Main Line shall be and remain forever a Public Highway, and be kept open and in repair by said Company as such, for the free use and enjoyment of all persons desiring to use and enjoy the same, and that nothing in this Act contained shall be construed in any way to interfere with the existing rights and privileges of parties doing business upon the same. *And provided further*, That the Company purchasing said Main Line, shall fully carry out the contract existing for the carrying of passengers over the Columbia and Philadelphia Railroad.

SECT. 8. That said Company, on the first day of December after its incorporation, and annually thereafter, shall cause to be made out, under the oath of one of its officers, and transmitted to the office of the Auditor General, a detailed statement, exhibiting the amount of tolls, freight and other incomes which have been received by said Company during the preceding year; also a statement of all the expenditures for the same period for repairs, management, motive power, and other purposes; and it shall be the duty of the Auditor General to file said statement in his office, as all similar reports are now filed.

SECT. 9. That the said Company may own and employ all locomotive engines, cars, boats and horses, and convey passengers and tonnage of whatsoever description, on said canals and railroads, and shall have the right to receive compensation for the same, as hereinafter provided, and to make such general regulations for the transaction of business on said railroads and canals as they may from time to time deem proper, and they shall also have the exclusive right to furnish all the motive power for said railroads.

SECT. 10. That said Company shall not have the right to subject tonnage shipped or discharged at intermediate points on said Line of improvements, to charges of more than twenty per centum above the rates per mile charged for similar tonnage passing over the entire extent of said improvements for the time being, and the said Company shall make no discrimination

in tolls and charges against any boat, or tonnage passing to and from the Susquehanna division of the Pennsylvania Canal; and the charges and tolls on such tonnage and boats, shall never exceed per mile those now charged by the State on the Susquehanna, West Branch and North Branch divisions of the Pennsylvania Canal; or the amount now paid the Commonwealth upon such boats and tonnage under present maximum rates of toll, as fixed by the Board of Canal Commissioners.

SECT. 11. That the purchasers of said railroads and canals, their successors and assigns, shall be a body politic and corporate, in deed and in law, by the name, style and title of the "Keystone Canal and Railroad Company," and by the same name the said Company shall have perpetual succession, and be able to sue and to be sued, plead and be impleaded, in all courts of record, and elsewhere, and to have, purchase, receive and hold, and enjoy, to them and their successors, such lands, tenements and hereditaments, goods, chattels and estates, real, personal and mixed, of what kind or quality soever, as shall be necessary for the repairs and management of said canals and railroads, and the same from time to time, sell, exchange, mortgage, alien, grant, or otherwise dispose of; and also, to make and keep a common seal, and the same to alter and renew at pleasure; and also, to ordain, establish and put into execution, such by-laws, ordinances and regulations, as shall appear necessary and convenient for the government of said corporation not being contrary to the Constitution or laws of the United States, or of this State, and generally to do all and singular the matters and things which to them it shall lawfully appertain to do, for the well-being of the said corporation, and the due managing and ordering of the affairs of the same; and the said Company be, and they are hereby authorized, if they deem it expedient, to construct a railroad by the most eligible route, from the western terminus of the Philadelphia and Columbia Railroad, to the Allegheny Portage Railroad; and connect therewith; and also extend the Allegheny Portage Railroad to the

City of Pittsburg, and connect with the Northwestern Railroad, and to increase the capital stock of the Company to any amount necessary to complete the same, not exceeding three hundred thousand shares at fifty dollars each; *Provided*, The same be commenced within five years and completed within ten years from the date of its incorporation under this Act.

Sect. 13. That the stockholders of such Company, or a majority of them, shall, as soon as conveniently may be, after the letters patent shall be obtained, appoint a time and place for the stockholders to meet, in order to organize the said Company, and shall give at least ten days' previous notice thereof, in one or more newspapers in the County where said meeting is to be held. The capital stock shall be divided into shares of fifty dollars each, and each share of stock shall entitle the holder thereof to one vote; and the Board of Directors shall consist of thirteen. The stockholders, when met, shall choose by ballot the said directors, by a majority of votes polled; the said directors shall be stockholders, and a majority of them shall be citizens of the Commonwealth, and shall remain in office until the second Monday in February next thereafter, and until another Board is chosen. The directors shall elect one of their number President, and shall conduct and manage the business and affairs of the Company.

Sect. 14. That the stockholders shall meet on the first Monday in February in every year, at such place as shall be fixed upon by the by-laws of the said Company, of which meeting the directors shall give at least ten days' previous notice in one or more newspapers published in the County where the said meeting is to be held, and choose by ballot, by a majority of votes polled, a board of directors, qualified as provided in the preceding section, for the ensuing year, and until another board is chosen; and the stockholders may meet at such times as they may be summoned by the board of directors, in such manner and form, and upon such notice as the by-laws may direct. *Provided*, That no share of stock shall entitle the holder thereof

to vote at any election which shall not have been transferred on the books of the Company at least one month before such election, is held. Any stockholder may vote by proxy, by duly authorizing some person to represent said stock. *Provided further*, That no male stockholder resident within ten miles of the place of election, shall be permitted to vote by proxy, and no proxy shall be received unless it shall have been executed within three months of the day of election.

SECT. 15. That the election of directors, provided for in this Act, shall be conducted in the following manner: that is to say, the directors for the time being shall appoint two of the stockholders not being directors, who shall severally take and subscribe an oath or affirmation, before an alderman or Justice of the Peace, well and truly and according to law, to conduct such election to the best of their knowledge and abilities; and the said judges shall decide upon the qualifications of voters: and when the election is closed, shall count the number of votes, and declare who have been elected; and if it shall happen at any time that an election of directors shall not take place, the corporation shall not, on that account, be dissolved, but it shall be lawful to hold and make such election on any day thereafter by giving at least five days' previous notice of the time and place for holding said election; and in case of a vacancy in the board of directors, by death, resignation or otherwise, the vacancy may be filled by the board of directors.

SECT. 16. That the board of directors shall meet at such times and places as may be fixed by the by-laws, and when met, shall constitute a quorum, and in case of the absence of the President, the directors present shall elect a President pro tempore, and shall keep minutes of their proceedings, fairly entered in a book, and the board of directors shall have power and authority to appoint such officers and agents as may be necessary to conduct the affairs of the corporation, and to fix their salaries, and may require security of said officers and agents in such amounts as they shall determine, and do all other acts and

things as by this Act and by the by-laws and regulations of the said company they may be authorized to do.

SECT. 17. That the board of directors shall have power to borrow money from time to time, to an amount not exceeding the capital stock of the Company, on the security of the corporate property, and to issue bonds at such rate of interest as shall be determined on by the board of directors. *Provided,* That no bond shall be issued for a less sum than one hundred dollars.

SECT. 18. That dividends of so much of the profits of the said company as shall appear advisable to the board of directors, shall be declared semi-annually, and shall be paid to the stockholders in *pro rata* proportions to the amount of stock held by each of said stockholders, on demand, at any time after the expiration of ten days from the time of declaring said dividend; but the dividends shall in no case exceed the amount of the net profits actually acquired by the Company, so that the capital stock shall never be impaired thereby.

SECT. 19. That the said directors shall procure certificates or evidences of stock for all the shares of the stock of the said company, duly numbered, and shall deliver a certificate or certificates, signed by the President, and sealed with a common seal of the said corporation, and countersigned by the Treasurer of the company, to each person, for the share or shares of stock by him or her owned, which certificates shall be transferable at his or her pleasure, in person, or by attorney duly authorized, on the books of said company.

SECT. 20. That it shall be lawful for the said company, their officers, engineers, contractors and agents, to enter upon any lands adjoining or in the neighborhood of said canals and railroads, and take, dig, and carry away therefrom any stone, gravel, clay, sand or earth, necessary for the maintaining and repairing of said canals and railroads, or for constructing any bridge, viaduct, or other building, which may be required in the maintenance and repair of said canals and railroads, and to erect and

construct additional dams, and to improve those already constructed, and make such other improvements as may be deemed necessary. *Provided*, That compensation shall be first made or secured to the owner or owners of any such lands or materials as shall be agreed upon between the parties, or in such manner as is hereinafter provided.

SECT. 21. That when the said company cannot agree with the owner or owners of any lands or materials for the damage done, or likely to be done or sustained by any such owner or owners of such lands or materials, which it may be necessary for said company to enter upon, use, or take away for the repair of said canals and railroads, or by reason of any legal incapacity of any such owner or owners, no such compensation can be agreed upon, the Court of Quarter Sessions of the proper county, on application thereto by petition, either by said company or owners, or any one in behalf of either, and at the cost and charge of said company, shall issue their precept to the Sheriff of said county, commanding said Sheriff to summon seven discreet and disinterested persons to meet on the lands from whence materials are to be taken, in not less than ten nor more than twenty days, giving such reasonable notice as the Court may designate to both parties, by publication or otherwise, in the discretion of the Court; and if a majority of said jurors attend, they shall be empanneled, and if a majority do not attend, the Sheriff may summon others forthwith, or fix a day when they shall meet, and the said seven jurors, or a majority of them, being so empanneled and sworn or affirmed by the said Sheriff, or his deputy, faithfully, justly, and impartially to value the materials taken, or to be taken, and find the rate of compensation to be paid therefor by said company; and the said jury shall have power to administer oaths and examine witnesses, and shall make report of their proceedings, stating the compensation adjudged, and to whom payable, to the Court, who, upon confirmation thereof, may direct such damages to be paid, or order a new inquisition, if justice shall require it. *Provided*, That any

owner or owners applying for a review, shall be liable for the costs of the proceedings prayed for, in case a report more favorable is not obtained upon said review.

SECT. 22. That it shall be the duty of the Governor, upon the allotment of said main line, to notify the Canal Commissioners of such allotment, who shall immediately direct the engineer, superintendent, or supervisor having charge of said main line, to make a final estimate, including all retained per centage, of all work done under existing contracts, and make the return to the Auditor General of the amounts which may be found due for debts of all kinds, existing at the time, on such division or divisions.

SECT. 23. That the said Keystone Canal and Railroad Company shall carry out, in good faith, all contracts which may be in existence between the Commonwealth and other parties for the construction of new work on the Alleghany Portage Railroad, or for repairs or materials on any part of the said main line. *Provided*, That the said company may abandon said contracts in the said manner that the Commonwealth might have done, and that they shall not be liable for any of the debts on the said main line incurred prior to the date of the transfer.

SECT. 24. That if any company heretofore incorporated by this Commonwealth shall become the purchaser of said main line, such company shall hold the same under its original name, organization and management, but enjoy all the powers and privileges, and be subject to all the limitations, restrictions, and conditions specified in this act, except such as relate to the name, organization, and management of the company; and upon the payment of the first instalment of the purchase money by such company, the Governor shall convey the said main line in the manner provided for upon the issuing of letters patent to an unincorporated company.

SECT. 25. That a failure to pay any instalment and accrued interest for more than six months, from the time that such instalment or interest shall be due, shall work a forfeiture of

double that amount of money due, and a repetition of such neglect shall produce a forfeiture of the franchise hereby granted; whereupon the said railroads and canals shall revert to the State, together with the working stock and property thereon owned by such company; and thereupon the Governor shall announce such forfeiture by proclamation, and the Canal Commissioners shall proceed to take charge of said canals and railroads, and keep the same open for use at present rates of toll, and charge for the use thereof until action is had by the Legislature.

SECT. 26. That it shall at all times be lawful for a committee of the Legislature, appointed for that purpose, to inspect the books and examine into the proceedings of the corporation purchasing said main line, for the purpose of ascertaining whether the rights and privileges granted by this act have been misused or abused; and the Legislature may provide such remedies and penalties as may be necessary to secure a compliance with the provisions of this act.

SECT. 27. That all the moneys accruing to the treasury from the sale of the said public works shall be added to the sinking fund, and be applied to the payment of the funded public debt, according to the provisions of the act, entitled "An act to create a sinking fund, and to provide for the gradual and certain extinguishment of the debt of the Commonwealth, approved April tenth, one thousand eight hundred and forty-nine."

SECT. 28. That all necessary expenses incurred by the Governor, under the provisions of this act, shall be paid out of any money in the treasury not otherwise appropriated, upon warrants drawn by him.

SECT. 29. That the Legislature reserves the power to alter, revoke, or annul the powers and privileges which may be conferred by this act on the company which may purchase the said main line, whenever any of the said powers or privileges may, in their opinion, be injurious to the citizens of this Commonwealth

—in such manner, however, that no injustice shall be done to the said company.

SECT. 30. That if the said main line shall not be awarded to any purchaser under the provisions of this act, the Governor shall advertise, for the term of one month, in two newspapers published in Philadelphia, Harrisburg and Pittsburg, for purchasing the same, or any division thereof, and transmit the proposals, if any are received, at the next General Assembly, to the Speaker of the Senate, who shall open and publish the same in the presence of that body.